

Redford Union School District #1

**Financial Report
with Supplementary Information
June 30, 2008**

Redford Union School District #1

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Independent Auditor's Report

To the Board of Education
Redford Union School District #1

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Redford Union School District #1's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As more fully described in Note 12 to the financial statements, the School District has incurred expenditures in excess of revenues in the General Fund for five consecutive years, primarily due to the increase in health care, pension costs, and the continued declining of student enrollment. The General Fund is in a deficit position at June 30, 2008. Administration's plans in regard to these matters are also described in Note 12.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Education
Redford Union School District #1

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redford Union School District #1's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2008 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

November 5, 2008

Redford Union School District #1

Management's Discussion and Analysis

This section of Redford Union School District #1's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Redford Union School District #1 financially as a whole. The government-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds - the General Fund and the Special Education Center Program Special Revenue Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Basic Financial Statements

Government-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplementary Information)

Budgetary Information for Major Funds

Other Supplementary Information

Reporting the School District as a Whole - Government-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Redford Union School District #1

Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted state aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental Funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Redford Union School District #1

Management's Discussion and Analysis (Continued)

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Summary of Net Assets

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I

	Governmental Activities	
	2008	2007
	(in millions)	
Assets		
Current and other assets	\$ 12.8	\$ 11.5
Capital assets	<u>26.3</u>	<u>28.5</u>
Total assets	39.1	40.0
Liabilities		
Current liabilities	14.9	15.6
Long-term liabilities	<u>24.0</u>	<u>26.2</u>
Total liabilities	<u>38.9</u>	<u>41.8</u>
Net Assets (Deficit)		
Invested in capital assets - Net of related debt	2.7	2.3
Restricted	0.9	0.8
Unrestricted deficit	<u>(3.4)</u>	<u>(4.9)</u>
Total net assets (deficit)	<u><u>\$ 0.2</u></u>	<u><u>\$ (1.8)</u></u>

Redford Union School District #1

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets of the School District's governmental activities is discussed below (see Table 2). The School District's net assets (deficit) were \$0.2 million and (\$1.8 million) at June 30, 2008 and 2007, respectively. Capital assets net of related debt, totaling \$2.7 million, compares the original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets of \$0.9 million are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining net assets (deficit), (\$3.4 million), were unrestricted.

The (\$3.4 million) unrestricted net assets (deficit) of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets reflect the School District's long-term operating commitments in excess of current resources, specifically compensated absences, and risk liabilities. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities, which shows the changes in net assets for fiscal years 2008 and 2007 (see Table 2).

TABLE 2

	Governmental Activities	
	2008	2007
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.9	\$ 1.3
Operating grants	19.5	18.9
General revenue:		
Property taxes	6.1	5.7
State foundation allowance	22.0	24.0
Other	0.5	0.5
Total revenue	49.0	50.4

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Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

	Governmental Activities	
	2008	2007
	(in millions)	
Functions/Program Expenses		
Instruction	\$ 28.3	\$ 29.8
Support services	13.2	13.3
Food services	1.1	1.2
Athletics	0.4	0.5
Community services	0.5	0.7
Interest on long-term debt	1.0	1.1
Depreciation (unallocated)	2.5	2.8
Total functions/program expenses	47.0	49.4
Increase in Net Assets	\$ 2.0	\$ 1.0

As reported in the statement of activities, the cost of all of our governmental activities this year was \$47.0 million. Certain activities were partially funded from those who benefited from the programs (\$0.9 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$19.5 million). We paid for the remaining "public benefit" portion of our governmental activities with \$6.1 million in taxes, \$22.0 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements totaling \$0.5 million.

The School District experienced an increase in net assets of \$2.0 million. The key reason for the increase in net assets was cost containment realized through the deficit reduction plan that was implemented in 2006.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted state aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with state-prescribed available unrestricted resources.

Redford Union School District #1

Management's Discussion and Analysis (Continued)

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$0.8 million, which is an overall improvement of \$2.2 million from the previous year.

In the General Fund, our principal operating fund, the fund balance deficit was reduced by \$2.0 million to a deficit balance of \$0.3 million.

The combined Special Revenue Funds showed a fund balance increase of approximately \$16,000. The increase was primarily due to additional revenue from federal funds and reduced expenditures.

The Debt Service Funds showed a fund balance increase of approximately \$193,000. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual state appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

The Capital Projects Fund fund balance decreased as the School District continued to repair existing facilities.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplementary information of these financial statements.

There were revisions made to the 2007-2008 General Fund original budget. Budgeted revenues were increased approximately \$0.9 million to reflect the district grant received from the State of Michigan.

Budgeted expenditures and other financing uses were also increased approximately \$0.6 million to account for the purchase of two buses and allocation of grant expenditures.

Redford Union School District #1

Management's Discussion and Analysis (Continued)

There were no significant variances between the final budget and actual amounts.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2008, the School District had \$26,303,991 invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment, net of accumulated depreciation. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$2.2 million, or 0.8 percent, from last year.

	2008	2007
Land	\$ 30,123	\$ 30,123
Buildings and building improvements	25,224,312	26,875,868
Buses and other vehicles	536,881	557,299
Furniture and equipment	512,675	1,037,278
Total capital assets	<u><u>\$ 26,303,991</u></u>	<u><u>\$ 28,500,568</u></u>

This year's additions of approximately \$248,000 included building improvements, buses and vehicles, and furniture and equipment.

No major capital projects are planned for the 2008-2009 fiscal year. We anticipate capital additions will be comparable to the 2007-2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$23,628,847 in bonds outstanding versus \$25,863,847 in the previous year - a change of 8.6 percent. Those bonds consisted of the following:

	2008	2007
1997 issue - General obligation bonds	\$ 16,550,000	\$ 18,120,000
2007 Refunding obligation bonds	5,925,000	6,590,000
Durant Non-Plaintiff Bonds (Series 1998)	1,153,847	1,153,847
Total general obligation bonds	<u><u>\$ 23,628,847</u></u>	<u><u>\$ 25,863,847</u></u>

Redford Union School District #1

Management's Discussion and Analysis (Continued)

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below this statutorily imposed limit.

Other obligations include accrued vacation pay, sick leave, self-insurance (workers' compensation and partial medical), and capital leases. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The Redford Union School District Deficit Elimination Plan (DEP), adopted by the Board of Education and approved by the State Department of Education, has been implemented commencing with the 2005-2006 fiscal year. The plan has reduced the budget deficit this year from \$2,252,456 to \$269,189 as of June 30, 2008. This balance reflects a favorable reduction of \$1,983,267 during the 2007-2008 fiscal year. This reduction also exceeded final amended budget expectations by approximately \$293,000.

Our elected officials and administration consider many factors when setting the School District's 2008-2009 fiscal year budget in conjunction with the DEP. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2009 fiscal year is expected to be 25 percent and 75 percent of the February 2008 and September 2008 student counts, respectively. The 2008-2009 budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 83 percent of total General Fund revenue is from the foundation allowance. Under state law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be significantly down from the estimates used in creating the 2008-2009 budget. Once the final student count and related per pupil funding are validated, state law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. This conference will provide a clearer picture of the State's ability to fund its appropriations.

Redford Union School District #1

Statement of Net Assets June 30, 2008

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 6,245,296
Receivables:	
Property taxes	20,452
Accounts and interest	9,382
Due from other governmental units	5,709,840
Inventories	27,004
Prepaid costs and other	86,242
Restricted assets (Note 1)	703,872
Capital assets - Net (Note 5)	26,303,991
Total assets	39,106,079
Liabilities	
Accounts payable	626,176
Accrued payroll and other liabilities	1,631,174
Accrued interest	462,912
State aid anticipation note (Note 10)	9,000,000
Deferred revenue (Note 4)	485,707
Long-term liabilities (Note 7):	
Due within one year	2,690,669
Due in more than one year	23,982,007
Total liabilities	38,878,645
Net Assets	
Investment in capital assets - Net of related debt	2,697,710
Restricted:	
Debt service	883,081
Capital projects	47,909
Unrestricted deficit	(3,401,266)
Total net assets	\$ 227,434

Redford Union School District #1

Statement of Activities Year Ended June 30, 2008

	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants and Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 28,321,515	\$ -	\$ 13,123,528	\$ (15,197,987)
Support services	13,246,314	-	5,624,367	(7,621,947)
Food services	1,121,209	452,165	721,682	52,638
Athletics	433,666	48,982	-	(384,684)
Community services	471,182	394,556	-	(76,626)
Interest on long-term debt	969,662	-	-	(969,662)
Depreciation (unallocated)	2,445,073	-	-	(2,445,073)
Total governmental activities	<u>\$ 47,008,621</u>	<u>\$ 895,703</u>	<u>\$ 19,469,577</u>	(26,643,341)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				2,549,164
Property taxes, levied for debt services				3,573,280
State aid not restricted to specific purposes				21,979,061
Interest and investment earnings				370,193
Other				247,276
Total general revenues				<u>28,718,974</u>
Change in Net Assets				2,075,633
Net Assets (Deficit) - Beginning of year				<u>(1,848,199)</u>
Net Assets - End of year				<u>\$ 227,434</u>

Redford Union School District #1

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Special Education Center Program	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 6,199,745	\$ -	\$ 45,551	\$ 6,245,296
Receivables:				
Property taxes	15,468	-	4,984	20,452
Accounts and interest	8,186	-	1,196	9,382
Due from other governmental units	5,653,188	56,652	-	5,709,840
Due from other funds (Note 6)	96,434	-	307,194	403,628
Inventories	3,277	-	23,727	27,004
Prepaid costs and other	86,242	-	-	86,242
Restricted assets (Note 1)	-	-	703,872	703,872
Total assets	<u>\$ 12,062,540</u>	<u>\$ 56,652</u>	<u>\$ 1,086,524</u>	<u>\$ 13,205,716</u>
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ 626,176	\$ -	\$ -	\$ 626,176
Accrued payroll and other liabilities	1,612,904	-	18,270	1,631,174
Interest payable	284,280	-	-	284,280
State aid anticipation note (Note 10)	9,000,000	-	-	9,000,000
Due to other funds (Note 6)	307,194	56,652	39,782	403,628
Deferred revenue (Note 4)	501,175	-	4,984	506,159
Total liabilities	12,331,729	56,652	63,036	12,451,417
Fund Balances (Deficit)				
Reserved:				
Inventories and prepaids costs	89,519	-	23,727	113,246
Debt service	-	-	883,081	883,081
Capital projects	-	-	47,909	47,909
Unreserved - Undesignated, reported in:				
General Fund	(358,708)	-	-	(358,708)
Special Revenue Funds	-	-	68,771	68,771
Total fund balances (deficit)	<u>(269,189)</u>	<u>-</u>	<u>1,023,488</u>	<u>754,299</u>
Total liabilities and fund balances	<u>\$ 12,062,540</u>	<u>\$ 56,652</u>	<u>\$ 1,086,524</u>	<u>\$ 13,205,716</u>

Redford Union School District #1

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008

Fund Balance - Total Governmental Funds \$ 754,299

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

Cost of capital assets	\$ 52,080,621	
Accumulated depreciation	<u>(25,776,630)</u>	26,303,991

Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds

20,452

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds and notes payable including premium	(23,606,281)
Compensated absences	(971,323)
Self-insurance	(2,095,072)

Accrued interest payable is not included as a liability in governmental funds

(178,632)

Net Assets - Governmental Activities \$ 227,434

Redford Union School District #1

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Special Education Center Program	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Local sources	\$ 3,443,621	\$ -	\$ 4,201,778	\$ 7,645,399
State sources	26,023,737	3,250,937	65,080	29,339,754
Federal sources	1,928,137	476,448	656,602	3,061,187
Interdistrict sources	804,635	8,243,062	-	9,047,697
Total revenue	32,200,130	11,970,447	4,923,460	49,094,037
Expenditures				
Current:				
Instruction	17,520,072	-	-	17,520,072
Support services	13,134,814	-	15,833	13,150,647
Special Education Center Program	-	10,553,409	-	10,553,409
Food service	-	-	1,121,209	1,121,209
Athletics	554	-	433,112	433,666
Community services	471,182	-	-	471,182
Debt service:				
Principal	89,990	-	2,235,000	2,324,990
Interest	9,623	-	1,204,586	1,214,209
Other	-	-	2,469	2,469
Capital outlay	153,590	48,027	77,450	279,067
Total expenditures	31,379,825	10,601,436	5,089,659	47,070,920
Excess of Revenue Over (Under) Expenditures	820,305	1,369,011	(166,199)	2,023,117
Other Financing Sources (Uses)				
Transfers in (Note 6)	1,404,599	-	1,336,158	2,740,757
Transfers out (Note 6)	(384,127)	(1,369,011)	(987,619)	(2,740,757)
Installment note issued (Note 7)	142,490	-	-	142,490
Total other financing sources (uses)	1,162,962	(1,369,011)	348,539	142,490
Net Change in Fund Balances	1,983,267	-	182,340	2,165,607
Fund Balances (Deficit) - Beginning of year	(2,252,456)	-	841,148	(1,411,308)
Fund Balances (Deficit) - End of year	<u>\$ (269,189)</u>	<u>\$ -</u>	<u>\$ 1,023,488</u>	<u>\$ 754,299</u>

Redford Union School District #1

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 2,165,607

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the
statement of activities, certain costs are allocated over their
estimated useful lives as depreciation:

Depreciation expense	\$ (2,445,073)	
Capitalized capital outlay	<u>248,496</u>	(2,196,577)

Revenues are recorded in the statement of activities when earned;
they are not reported in the funds until collected or collectible
within 60 days of year end (9,783)

Note proceeds provide financial resources to governmental funds;
but issuing debt increases long-term liabilities in the statement
of activities (142,490)

Deferred charges are reported as revenue in the funds and
amortized in the statement of activities (25,703)

Repayment of bond and principal is an expenditure in the
governmental funds, but not in the statement of activities
(where it reduces long-term debt) 2,324,990

Interest expense is recorded in the statement of activities when
incurred; it is not reported in the governmental funds until paid 270,250

Compensated absences, as well as estimated self-insurance
liability claims, are recorded when earned in the statement of
activities. In the current year, more was paid out than
was earned (310,661)

Change in Net Assets of Governmental Activities \$ 2,075,633

Redford Union School District #1

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2008

Student Activities

Agency Fund

Assets - Cash and cash equivalents

\$ 340,677

Liabilities - Due to student groups

\$ 340,677

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Redford Union School District #1 (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided and operating grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted state aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Special Education Center Program Special Revenue Fund - The Special Education Center Program Special Revenue Fund is used by the School District to account for proceeds that are restricted to expenditure within the Special Education Center Program.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. In addition to the Special Education Center Program Special Revenue Fund, the School District's Special Revenue Funds include the Food Services and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Debt Service Funds - Debt Service Funds are used to record tax, interest, and other revenue for payments of interest, principal, and other expenditures of the various bond issues.

Capital Projects Funds - Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for remodeling of buildings and equipment. The funds operate until the purpose for which they were created is accomplished.

Fiduciary Funds - Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 14 with the final collection on September 30. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Restricted Assets - The unspent cash of the Debt Service Funds and bond proceeds of the Capital Projects Funds and related interest require amounts to be set aside for construction. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	20-50 years
Buses and other vehicles	7-8 years
Furniture and equipment	5-20 years

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - The liability for compensated absences reported in the government-wide statements consists of earned but unused accumulated vacation and sick leave benefits. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both those employees who are currently eligible to receive termination payments at normal retirement age and other employees who are expected to become eligible in the future to receive such payments upon normal retirement are included.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs when material, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and state law for the General, Debt Service, Capital Projects, and all Special Revenue Funds. All annual appropriations lapse at fiscal year end. The budget statement is presented on the same basis of accounting used in preparing the adopted budget.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are immaterial and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditures budget variances. Minor variances in the General Fund are disclosed in the budgetary comparison schedule in the required supplemental information.

Fund Deficit - The School District has a General Fund deficit at June 30, 2008 of approximately \$269,000. State law requires the School District to establish a deficit reduction plan with the Michigan Department of Education. The formal deficit reduction plan submitted by the School District in February 2006 has received approval by the Michigan Department of Education and has been extended through the 2008-2009 school year.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

The School District has utilized five financial institutions for the deposit of its funds.

The investment policy adopted by the board is in accordance with state statutes has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At year end, the School District's deposit balance of \$975,000 had \$660,280 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the School District evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment policy does not address custodial credit risk. The School District had no investments subject to custodial credit risk at June 30, 2008.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not address interest rate risk.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's investment policy does not further limit its investment choices

At year end, the maturities of investments and the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Maturities	Rating	Rating Organization
Bank investment pooled funds	\$ 6,502,819	n/a	Not rated	Not applicable

Concentration of Credit Risk - The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy does not address concentration of credit risk. More than 5 percent of the School District's investments are in pooled funds; these investments represent 100 percent of the District's total investments.

Foreign Currency Risk - Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. State law and the School District's policy prohibit investment in foreign currency.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 20,452	\$ -
Grant and categorical aid payment received prior to meeting all eligibility requirements	-	485,707
Total	<u>\$ 20,452</u>	<u>\$ 485,707</u>

Note 5 - Capital Assets

Capital asset activity of the School District's activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Capital assets not being depreciated - Land	\$ 30,123	\$ -	\$ -	\$ 30,123
Capital assets being depreciated:				
Building and building improvements	44,884,220	72,168	-	44,956,388
Buses and other vehicles	2,006,492	153,590	-	2,160,082
Furniture and equipment	4,911,290	22,738	-	4,934,028
Subtotal	51,802,002	248,496	-	52,050,498
Accumulated depreciation:				
Building and building improvements	18,008,352	1,723,724	-	19,732,076
Buses and other vehicles	1,449,193	176,611	(2,603)	1,623,201
Furniture and equipment	3,874,012	544,738	2,603	4,421,353
Subtotal	23,331,557	2,445,073	-	25,776,630
Net capital assets being depreciated	28,470,445	(2,196,577)	-	26,273,868
Net governmental capital assets	<u>\$ 28,500,568</u>	<u>\$ (2,196,577)</u>	<u>\$ -</u>	<u>\$ 26,303,991</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Fund Due To	Fund Due From			Total
	General Fund	Special Education Center Program	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 56,652	\$ 39,782	\$ 96,434
Nonmajor governmental funds	307,194	-	-	307,194
Total	<u>\$ 307,194</u>	<u>\$ 56,652</u>	<u>\$ 39,782</u>	<u>\$ 403,628</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund Transfers

	Transfers Out			Total
	General Fund	Special Education Center Program	Nonmajor Governmental Funds	
Transfers in:				
General Fund	\$ -	\$ 1,369,011	\$ 987,619	\$ 2,356,630
Nonmajor governmental funds	384,127	-	-	384,127
Total	<u>\$ 384,127</u>	<u>\$ 1,369,011</u>	<u>\$ 987,619</u>	<u>\$ 2,740,757</u>

Transfers from the General Fund provided funding for the Special Education Center Program and the Athletics Funds. Transfers from the Special Education Center Program and the Food Services Fund to the General Fund represent reimbursement of indirect costs paid by the General Fund during the current year.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District. Other long-term obligations include compensated absences and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Governmental Activities					
Bonds	\$ 25,863,847	\$ -	\$ 2,235,000	\$ 23,628,847	2,621,676
Deferred charges (interest) from refunding bonds	(172,820)	-	(15,711)	(157,109)	(15,711)
Bond issuance costs	(59,949)	-	(9,992)	(49,957)	(4,996)
Total bonds payable	25,631,078	-	2,209,297	23,421,781	2,600,969
Bus installment notes	132,000	142,490	89,990	184,500	89,700
Other obligations	2,755,733	5,958,597	5,647,935	3,066,395	-
Total governmental activities	<u>\$ 28,518,811</u>	<u>\$ 6,101,087</u>	<u>\$ 7,947,222</u>	<u>\$ 26,672,676</u>	<u>\$ 2,690,669</u>

Annual debt service requirements to maturity for the above governmental bond obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2009	\$ 2,621,676	\$ 1,122,572	\$ 3,744,248
2010	2,286,404	1,119,594	3,405,998
2011	2,161,947	935,497	3,097,444
2012	2,335,123	822,836	3,157,959
2013	2,518,697	706,509	3,225,206
2014-2018	4,045,000	2,382,725	6,427,725
2019-2022	7,660,000	991,250	8,651,250
Total	<u>\$ 23,628,847</u>	<u>\$ 8,080,983</u>	<u>\$ 31,709,830</u>

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Governmental Activities

The general obligation bonds are comprised of the following issues:

1997 Issue - \$35,575,000 serial and term bonds due in annual installments of \$1,155,000 to \$2,330,000 through May 1, 2022; interest at 4.75 percent to 5.5 percent	\$ 16,550,000
2007 Refunding Issue - \$6,590,000 serial and term bonds due in annual installments of \$485,000 to \$2,465,000 through May 1, 2018; interest at 4.0 percent	5,925,000
\$2,815,220 School Improvement Bond, Series 1998, due in annual installments beginning May 15, 2009 of \$156,676 to \$456,404 through May 15, 2013; interest at 4.76 percent	<u>1,153,847</u>
Total bonded debt	<u>\$ 23,628,847</u>

Durant Non-Plaintiff Bond - Included in governmental activities general obligation bonds is the \$2.8 million Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated state aid and will not require any School District debt levy or utilization of any other School District financial resources.

Bus Installment Notes - Bus installment notes consist of the following:

Date	Original Amount	Due Date	Interest Rate	Remaining to Maturity	
				Interest	Principal
08/19/04	\$ 333,684	05/01/09	3.72%	\$ 7,366	\$ 66,000
08/01/07	142,490	05/01/13	4.24%	\$ 15,073	118,500

Other governmental activities long-term obligations include the following:

Employee-compensated absences	\$ 971,323
Self-insurance	<u>2,095,072</u>
Total	<u>\$ 3,066,395</u>

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 7 - Long-term Debt (Continued)

Advance Refunding - In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$7,975,000 of bonds outstanding are considered defeased.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, and errors and omissions claims; the School District is uninsured for workers' compensation and is partially uninsured for medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The School District estimates the liability for workers' compensation and health insurance claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded as liabilities in the General Fund to the extent they are considered due at June 30, with the remainder included in long-term debt. Changes in the estimated liability for the past two fiscal years were as follows:

	2008	2007
Estimated liability - Beginning of year	\$ 1,753,985	\$ 1,569,897
Estimated claims incurred - Including changes in estimates	5,870,714	5,400,356
Claim payments	(5,529,627)	(5,216,268)
Estimated liability - End of year	<u>\$ 2,095,072</u>	<u>\$ 1,753,985</u>

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The system also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Pension Benefits - Employer contributions to the pension system result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 11.19 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 10.17 percent for the period from October 1, 2007 through June 30, 2008. Basic plan members make no contributions, but member investment plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's required and actual contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were \$2,617,693, \$2,726,935, and \$2,792,474, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55 percent of covered payroll for the period from July 1, 2007 through September 30, 2007 and 6.55 percent for the period from October 1, 2007 through June 30, 2008. The School District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2008, 2007, and 2006 were \$1,655,960, \$1,725,065, and \$1,766,526, respectively.

Note 10 - State Aid Anticipation Note

On August 20, 2007, the School District borrowed \$9,000,000 on a state aid anticipation note. The note bears interest at 3.68 percent and is due August 20, 2008. At June 30, 2008, the School District has accrued interest of approximately \$284,000 on this note in the fund level financial statements.

Redford Union School District #1

Notes to Financial Statements June 30, 2008

Note 11 - Subsequent Event

The School District borrowed \$8,000,000 for General Fund operations on a state aid anticipation note dated August 20, 2008. The principal, plus interest at a rate of 1.70 percent per annum, is due and payable on August 20, 2009.

Note 12 - Funding Uncertainties

The School District receives over 80 percent of its funding for regular operations from the state foundation allowance. This allowance is determined by the State and is paid based on the number of students attending the School District. The base per pupil allowance has changed minimally over the past four years.

The School District has been challenged by rising healthcare and pension costs that have offset expenditure reductions in other areas. Bargaining groups have had no salary increases other than step and college advancement credit increases in the past five years. While the School District has taken steps to reduce staff and streamline facility costs to further reduce expenditures, significant additional steps must be taken within the next year to reduce expenses to match available revenue consistent with the deficit elimination plan.

As required by state law, the School District developed a deficit elimination plan which was approved by the Board of Education and the Michigan Department of Education. As part of the deficit elimination plan, the School District has to plan for appropriate expenditure reductions as well as the need for short-term cash flow borrowing.

The School District continues to gain positive results from the implementation of its deficit elimination plan. This plan has resulted in a \$2.0 million decrease in the General Fund deficit at June 30, 2008. This actual decrease also exceeds the final amended budget by approximately \$293,000. For the 2008-2009 fiscal year, the School District will continue to review appropriate expenditure reductions to reduce its overall deficit.

Note 13 - Contingent Liabilities

The School District is a defendant in three unfair labor practice cases. It is not possible to predict with certainty whether the School District will ultimately be successful in any of the legal matters, or, if not, what the impact will be based on current information.

Required Supplementary Information

Redford Union School District #1

Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 3,054,000	\$ 3,352,100	\$ 3,443,621	\$ 91,521
State sources	25,933,000	26,000,000	26,023,737	23,737
Federal sources	1,843,000	1,907,360	1,928,137	20,777
Interdistrict sources	293,000	647,000	804,635	157,635
Total revenue	31,123,000	31,906,460	32,200,130	293,670
Expenditures - Current				
Instruction:				
Basic programs	11,969,000	12,118,724	12,067,823	(50,901)
Added needs	5,211,000	5,476,290	5,404,120	(72,170)
Adult education	26,000	52,573	48,129	(4,444)
Support services:				
Pupil	2,398,000	2,366,416	2,402,478	36,062 *
Instructional staff	394,000	352,650	336,966	(15,684)
General administration	349,000	518,147	549,862	31,715 *
School administration	1,682,000	1,636,748	1,642,127	5,379 *
Business services	1,108,000	1,190,812	1,457,745	266,933 **
Operations and maintenance	4,582,000	4,420,940	4,538,516	117,576 *
Transportation	1,645,000	1,866,994	1,877,628	10,634 *
Central services	560,000	587,445	582,695	(4,750)
Community services	607,000	474,701	471,182	(3,519)
Other transactions	-	258,376	554	(257,822)
Total expenditures	30,531,000	31,320,816	31,379,825	59,009
Other Financing Sources (Uses)				
Transfers in	1,400,000	1,400,000	1,404,599	4,599
Transfers out	(663,000)	(437,051)	(384,127)	52,924
Installment note issued	-	142,000	142,490	490
Total other financing sources	737,000	1,104,949	1,162,962	58,013
Net Change in Fund Balance	1,329,000	1,690,593	1,983,267	292,674
Fund Balance (Deficit) - July 1, 2007	(2,725,000)	(2,252,456)	(2,252,456)	-
Fund Balance (Deficit) - June 30, 2008	<u>\$ (1,396,000)</u>	<u>\$ (561,863)</u>	<u>\$ (269,189)</u>	<u>\$ 292,674</u>

* During the year, the School District incurred expenditures which were in excess of the amounts budgeted. The unfavorable variances were caused by unanticipated expenditures which became necessary during the year.

** The reporting and presentation of the state aid note interest accrual changed subsequent to the final budget amendment.

Redford Union School District #1

Required Supplementary Information Budgetary Comparison Schedule Special Revenue Fund - Special Education Center Program Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
State sources	\$ 3,100,000	\$ 3,261,973	\$ 3,250,937	\$ (11,036)
Federal sources	462,000	462,000	476,448	14,448
Interdistrict sources	<u>8,439,000</u>	<u>8,766,413</u>	<u>8,243,062</u>	<u>(523,351)</u>
Total revenue	12,001,000	12,490,386	11,970,447	(519,939)
Expenditures				
Salaries	6,535,000	6,767,788	6,705,750	(62,038)
Fringe benefits	3,257,000	3,395,180	3,350,341	(44,839)
Other	<u>809,000</u>	<u>927,418</u>	<u>545,345</u>	<u>(382,073)</u>
Total expenditures	10,601,000	11,090,386	10,601,436	(488,950)
Other Financing Uses - Transfers out	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>(1,369,011)</u>	<u>(30,989)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1, 2007	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplementary Information

Other Supplementary Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds		Debt Service Funds		Capital Projects	
	Food Services	Athletics	1997 Issue	2007 Refunding Issue	Fund	Total
Assets						
Cash and investments	\$ -	\$ 45,551	\$ -	\$ -	\$ -	\$ 45,551
Receivables:						
Taxes	-	-	4,984	-	-	4,984
Accounts and interest	-	-	1,100	-	96	1,196
Due from other funds	71,963	-	235,231	-	-	307,194
Inventories	23,727	-	-	-	-	23,727
Restricted assets	-	-	646,750	-	57,122	703,872
Total assets	<u>\$ 95,690</u>	<u>\$ 45,551</u>	<u>\$ 888,065</u>	<u>\$ -</u>	<u>\$ 57,218</u>	<u>\$ 1,086,524</u>
Liabilities and Fund Balances						
Liabilities						
Accrued payroll and other liabilities	\$ 3,192	\$ 15,078	\$ -	\$ -	\$ -	\$ 18,270
Due to other funds	-	30,473	-	-	9,309	39,782
Deferred revenue	-	-	4,984	-	-	4,984
Total liabilities	3,192	45,551	4,984	-	9,309	63,036
Fund Balances						
Reserved:						
Inventories	23,727	-	-	-	-	23,727
Debt service	-	-	883,081	-	-	883,081
Capital projects	-	-	-	-	47,909	47,909
Unreserved - Undesignated, reported in Special Revenue Funds	68,771	-	-	-	-	68,771
Total fund balances	92,498	-	883,081	-	47,909	1,023,488
Total liabilities and fund balances	<u>\$ 95,690</u>	<u>\$ 45,551</u>	<u>\$ 888,065</u>	<u>\$ -</u>	<u>\$ 57,218</u>	<u>\$ 1,086,524</u>

Redford Union School District #1

Other Supplementary Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2008

	Special Revenue Funds		Debt Service Funds		Capital Projects	
	Food Services	Athletics	1997 Issue	2007 Refunding Issue	Fund	Total
Revenue						
Local	\$ 452,165	\$ 48,982	\$ 3,649,101	\$ -	\$ 51,530	\$ 4,201,778
State	65,080	-	-	-	-	65,080
Federal	656,602	-	-	-	-	656,602
Total revenue	1,173,847	48,982	3,649,101	-	51,530	4,923,460
Expenditures						
Current:						
Support services	-	-	15,833	-	-	15,833
Food services	1,121,209	-	-	-	-	1,121,209
Athletics	-	433,112	-	-	-	433,112
Debt service:						
Principal	-	-	1,570,000	665,000	-	2,235,000
Interest	-	-	917,555	287,031	-	1,204,586
Other	-	-	1,150	-	1,319	2,469
Capital outlay	1,221	-	-	-	76,229	77,450
Total expenditures	1,122,430	433,112	2,504,538	952,031	77,548	5,089,659
Excess of Revenue Over (Under) Expenditures	51,417	(384,130)	1,144,563	(952,031)	(26,018)	(166,199)
Other Financing Sources (Uses)						
Transfers in	-	384,127	-	952,031	-	1,336,158
Transfers out	(35,588)	-	(952,031)	-	-	(987,619)
Total other financing sources (uses)	(35,588)	384,127	(952,031)	952,031	-	348,539
Net Change in Fund Balances	15,829	(3)	192,532	-	(26,018)	182,340
Fund Balances - Beginning of year	76,669	3	690,549	-	73,927	841,148
Fund Balances - End of year	\$ 92,498	\$ -	\$ 883,081	\$ -	\$ 47,909	\$ 1,023,488

Redford Union School District #1

Other Supplementary Information Schedule of Bonded Indebtedness June 30, 2008

June 30	Durant		1997 Issue		2007 Refunding Issue	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 156,676	\$ 41,022	\$ -	\$ 844,550	\$ 2,465,000	\$ 237,000
2010	456,404	136,644	-	844,550	1,830,000	138,400
2011	171,947	25,747	1,990,000	844,550	-	65,200
2012	180,123	17,561	2,155,000	740,075	-	65,200
2013	188,697	8,984	2,330,000	632,325	-	65,200
2014	-	-	1,155,000	515,825	-	65,200
2015	-	-	1,260,000	452,300	-	65,200
2016	-	-	-	383,000	485,000	65,200
2017	-	-	-	383,000	540,000	45,800
2018	-	-	-	383,000	605,000	24,200
2019	-	-	1,715,000	383,000	-	-
2020	-	-	1,845,000	297,250	-	-
2021	-	-	1,980,000	205,000	-	-
2022	-	-	2,120,000	106,000	-	-
Total	<u>\$ 1,153,847</u>	<u>\$ 229,958</u>	<u>\$ 16,550,000</u>	<u>\$ 7,014,425</u>	<u>\$ 5,925,000</u>	<u>\$ 836,600</u>
Principal payments due	May 15		May 1		May 1	
Interest payments due	May		May/November		May/November	
Interest rate	4.76%		4.75% to 5.50%		4.00%	
Original issue	\$2,815,220		\$35,575,000		\$6,590,000	

Redford Union School District # I

**Federal Awards
Supplementary Information
June 30, 2008**

Redford Union School District #1

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Independent Auditor's Report

To the Board of Education
Redford Union School District #1

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 as of and for the year ended June 30, 2008, which collectively comprise Redford Union School District #1's basic financial statements, and have issued our report thereon dated November 5, 2008. Those basic financial statements are the responsibility of the management of Redford Union School District #1. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Redford Union School District #1's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 5, 2008

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

To the Board of Education
Redford Union School District #1

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Redford Union School District #1 as of and for the year ended June 30, 2008, which collectively comprise Redford Union School District #1's basic financial statements, and have issued our report thereon dated November 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Redford Union School District #1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Redford Union School District #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Redford Union School District #1's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

To the Board of Education
Redford Union School District #1

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Redford Union School District #1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Redford Union School District #1 in a separate letter dated November 5, 2008.

Redford Union School District #1's response to the significant deficiency relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 5, 2008

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Redford Union School District #1

Compliance

We have audited the compliance of Redford Union School District #1 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The major federal programs of Redford Union School District #1 are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Redford Union School District #1's management. Our responsibility is to express an opinion on Redford Union School District #1's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Redford Union School District #1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Redford Union School District #1's compliance with those requirements.

In our opinion, Redford Union School District #1 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3.

To the Board of Education
Redford Union School District #1

Internal Control Over Compliance

The management of Redford Union School District #1 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Redford Union School District #1's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider either of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

Redford Union School District #1's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Redford Union School District #1's response and, accordingly, we express no opinion on it.

To the Board of Education
Redford Union School District #1

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be used by anyone other than these specified parties.

Plante & Moreau, PLLC

November 5, 2008

Redford Union School District #1

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Clusters:							
Child Nutrition Cluster - U.S. Department of Agriculture - Passed through the Michigan Department of Education:							
National School Breakfast Program 2007-2008	10.553	\$ 111,220	\$ -	\$ -	\$ 111,220	\$ 111,220	\$ -
National School Lunch Program 2007-2008	10.555	481,633	-	-	481,633	481,633	-
Total Child Nutrition Cluster		592,853	-	-	592,853	592,853	-
Special Education Cluster - U.S. Department of Education:							
Passed through the Wayne County RESA - IDEA:	84.027						
Project number 2006-2007		1,127,644	1,127,644	112,764	112,764	-	-
Project number 2006-2007 CPE		455,672	455,672	75,243	75,243	-	-
Mini Grant 2006-2007		2,710	2,710	510	510	-	-
Project number 2007-2008		982,674	-	-	917,763	946,865	29,102
Project number 2007-2008 CPE		476,448	-	-	458,006	476,448	18,442
Mini Grant 2007-2008		4,400	-	-	2,200	4,400	2,200
Transition Grant 2007-2008		2,379	-	-	2,379	2,379	-
Project number 080440-0708		5,500	-	-	-	2,110	2,110
Total IDEA		3,057,427	1,586,026	188,517	1,568,865	1,432,202	51,854
Preschool Incentive:	84.173						
Project number 050460-0607		62,415	62,415	6,241	6,241	-	-
Project number 050460-0708		66,248	-	-	66,207	66,248	41
Total Preschool Incentive		128,663	62,415	6,241	72,448	66,248	41
Total Special Education Cluster		3,186,090	1,648,441	194,758	1,641,313	1,498,450	51,895
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the Wayne County RESA - Medicaid Transportation - 2007-2008	93.778	14,098	-	-	14,098	14,098	-
Total clusters		3,793,041	1,648,441	194,758	2,248,264	2,105,401	51,895

Redford Union School District #1

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Other Federal Awards:							
U.S. Department of Education:							
Passed through the Michigan Department of Education:							
Title I:	84.010						
Project number 071530-0607		\$ 497,279	\$ 415,992	\$ 121,992	\$ 203,279	\$ 81,287	\$ -
Project number 061530-0708		581,773	-	-	437,881	581,773	143,892
Total Title I		1,079,052	415,992	121,992	641,160	663,060	143,892
Title II, Part A:	84.367						
Project number 070520-0607		164,843	164,843	14,715	14,715	-	-
Project number 080520-0708		166,269	-	-	152,954	164,732	11,778
Total Title II, Part A		331,112	164,843	14,715	167,669	164,732	11,778
Title II, Part D - Project number 084290-0708	84.318	4,014	-	-	2,100	4,014	1,914
Title V, Part A:	84.298						
Project number 070250-0607		3,684	2,366	1,460	2,778	1,318	-
Project number 080250-0708		4,129	-	-	918	4,129	3,211
Total Title V, Part A		7,813	2,366	1,460	3,696	5,447	3,211
Adult Education:	84.002						
Project number 071130-710857		10,312	10,000	10,000	10,312	312	-
Project number 081130-810857		15,500	-	-	-	15,500	15,500
Total Adult Education		25,812	10,000	10,000	10,312	15,812	15,500
Total noncluster programs passed through the Michigan Department of Education		1,447,803	593,201	148,167	824,937	853,065	176,295
Passed through the Wayne County RESA:							
Drug-free Grants - Project number 2007-2008	84.186	10,550	-	-	10,550	10,550	-
Vocational Education - Basic Grants to States:	84.048A						
CTE Perkins Grant - 7012-25		21,695	21,695	21,695	21,695	-	-
CTE Perkins Grant V048A070022		20,039	-	-	9,909	20,039	10,130
Total Vocational Education - Basic Grants to States		41,734	21,695	21,695	31,604	20,039	10,130
Total noncluster programs passed through Wayne County RESA		52,284	21,695	21,695	42,154	30,589	10,130

Redford Union School District #1

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2008

Program Title/Project Number/Subrecipient Name	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue at July 1, 2007	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2008
Other Federal Awards (Continued):							
U.S. Department of Education (Continued):							
Passed through the Monroe County Regional Education:							
Tech Prep - Project number 023540-3425		\$ 3,563	\$ 3,563	\$ 3,443	\$ 3,443	\$ -	\$ -
Tech Prep - Project number 073540-7014-25	84.243A	3,600	-	-	2,550	3,600	1,050
Total noncluster programs passed through the Monroe County Regional Education		7,163	3,563	3,443	5,993	3,600	1,050
Total U.S. Department of Education noncluster programs		1,507,250	618,459	173,305	873,084	887,254	187,475
U.S. Department of Agriculture - Passed through the Michigan Department of Education - Food Distribution:							
Entitlement commodities - 2007-2008	10.550	62,097	-	-	62,097	62,097	-
Bonus commodities - 2007-2008		1,652	-	-	1,652	1,652	-
Total Food Distribution		63,749	-	-	63,749	63,749	-
U.S. Department of Defense - Passed through the U.S. Army ROTC	21.000	4,783	-	-	4,783	4,783	-
Total federal awards		<u>\$ 5,368,823</u>	<u>\$ 2,266,900</u>	<u>\$ 368,063</u>	<u>\$ 3,189,880</u>	<u>\$ 3,061,187</u>	<u>\$ 239,370</u>

Redford Union School District #1

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Redford Union School District #1 (the "District") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

<u>Program Title/Project Number/Subrecipient Name</u>	<u>CFDA Number</u>	<u>Current Year Cash Transferred to Subrecipients</u>
U.S Department of Education - Passed through the Michigan Department of Education - Title I:	84.010	
Methodist Children's Home Society		\$ 81,157
St. Peter's Home for Boys		17,974
Christ Child House		<u>29,888</u>
Total Title I - Passed through to subrecipients		<u>\$ 129,019</u>

Note 4 - Grant Section Auditor's Report

Management has utilized Form R-7120 and the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Redford Union School District #1

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? X Yes _____ No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Redford Union School District #1

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

Reference Number	Findings
2008-1	<p>Finding Type - Significant deficiency</p> <p>Criteria - Redford Union School District #1's (the "District") internal control structure should provide for proper segregation of duties.</p> <p>Condition - The District lacks segregation of duties with respect its cash, revenue, and journal entry systems and procedures.</p> <p>Context - The same individual has the ability to receive revenue, prepare checks, record transactions, sign checks, distribute checks, and prepare bank reconciliations.</p> <p>Cause - Segregation of duties is not provided for in the responsibilities of accounting staff throughout the year.</p> <p>Effect - Material misstatements could occur within the accounting data and not be detected on a timely basis.</p> <p>Recommendation - The District's small accounting department limits the extent of segregation of duties; however, no one individual should have overlapping responsibilities relative to custodianship, authorization, and/or recordkeeping.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The District has started to make changes to the duties assigned to staff with a reorganization of positions. The District is using the updated RESA computer finance program to segregate some of the duties. Procedures will be prepared for accounting duties with explanation for segregation of duties.</p>

Redford Union School District #1

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-2	<p>Program Name - IDEA Cluster CFDA #84.027 and #84.173</p> <p>Finding Type - Noncompliance and significant deficiency</p> <p>Criteria - The special education grant requires that grant recipients submit reimbursement claim forms for amounts up to three days' future cash needs. District advances beyond the three days' cash needs must be refunded.</p> <p>Condition - The District did not properly adhere to the reimbursement request criteria. All of the three reimbursement requests selected for testing requested reimbursements in excess of the three days' cash needs.</p> <p>Questioned Costs - Approximately \$196,000</p> <p>Context - The IDEA funds requested for reimbursement were not all spent within three days of the drawdown.</p> <p>Cause and Effect - The District did not comply with reimbursement request regulations.</p> <p>Recommendation - The District must ensure IDEA reimbursement requests are submitted only for funds expended up to three days' future cash needs.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The District will comply with the reimbursement request criteria and the business office will print reports to support reimbursement requests submitted.</p>

Redford Union School District #1

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-3	<p>Program Name - IDEA Cluster CFDA #84.027 and #84.173</p> <p>Finding Type - Noncompliance and significant deficiency</p> <p>Criteria - Co-funded staff, which are charged to IDEA, are required to document time spent performing IDEA activities. Acceptable documentation includes the following: (1) Personal activity reports confirming employee schedules are followed or (2) regular time sheets, as long as they reflect an after-the-fact distribution of their actual activity.</p> <p>Condition - Documentation of time allocations was not available for one co-funded staff selected in our sample. The total population of co-funded staff at the District was nine employees charged to IDEA. The District and co-funded staff did not maintain their personnel activity reports or regular timesheets reflecting after-the-fact distribution of their actual activity.</p> <p>Questioned Costs - Approximately \$38,000, \$19,000 charged to CFDA #84.027 and \$19,000 charged to CFDA #84.173, for the sample of one co-funded staff</p> <p>Context - There was one co-funded staff member who did not maintain formal documentation supporting his or her time spent performing IDEA activities.</p> <p>Cause and Effect - The lack of formal documentation did not provide the appropriate evidence to support the co-funded staff time spent on IDEA activities.</p> <p>Recommendation - The District should maintain supporting documentation for each employee's time charged to the grant and ensure that it is signed by the appropriate individual.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The District will maintain in the business office the supporting documentation for each employee charged to federal grants. The appropriate individual will sign this documentation. Each department will submit this documentation to the business office at a minimum each semester. The documentation will remain on file in the business office based on the appropriate retention schedule.</p>

Redford Union School District #1

Report to the Board of Education

June 30, 2008

November 5, 2008

To the Board of Education
Redford Union School District #1
18499 Beech Daly Road
Redford, MI 48240

Dear Board Members:

We have recently completed our audit of the basic financial statements of Redford Union School District #1 (the "District") for the year ended June 30, 2008. In addition to our audit report, we are providing the following required audit communication, recommendations, and informational comments which impact the District:

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We would like to thank Mrs. Donna Rhodes, Mrs. Susan Featheringill, and the entire business office staff for their courtesy and assistance during the audit. We are grateful for the opportunity to be of service to Redford Union School District #1 and we are committed to providing the best service possible. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very Truly Yours,

Plante & Moran, PLLC

Paul D. Bryant

Paul D. Bryant

Results of the Audit Process

November 5, 2008

To the Board of Education
Redford Union School District #1

We have audited the financial statements of Redford Union School District #1 (the "District") for the year ended June 30, 2008, and have issued our report thereon dated November 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 13, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the School District. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the School District's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under those *Government Auditing Standards*, we have made some assessments of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated November 5, 2008 regarding our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the District, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* requires disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 30, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2008.

We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate for the claims incurred but not reported for self-insured liabilities.

The estimate of the liability related to self-insured benefits is based on currently known facts and historical trends. We evaluated the key factors and assumptions used to develop the IBNR accrual in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the District's deficit position and funding uncertainties. The disclosure of Funding Uncertainties in Note 12 to the financial statements which discloses the District's current and prior deficit position, the implementation of a deficit elimination plan and the positive results the plan has had on reducing the deficit.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 5, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

In the normal course of our professional association with the District we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the District, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

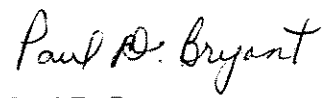
As required by OMB Circular A-133 we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 dated November 5, 2008.

In addition to the comments and recommendations in this letter, our observations and comments regarding the District's internal controls, including any significant deficiencies or material weaknesses that we identified, have been reported to you in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. This report is included in the supplemental schedule of federal awards (single audit report), and we recommend that the matters we have noted there receive your careful consideration.

This information is intended solely for the use of the Board of Education and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC


Paul D. Bryant

Other Recommendations

Redford Union School District #1

Other Recommendations

In last year's letter to the Board of Education, dated October 29, 2007, we stated that as a result of new auditing standards required to be implemented this year, there would be a greater audit emphasis placed on the School District's internal control systems. During the audit process, we identified opportunities for the School District to revise or update its system of internal controls. In the spirit of continued process improvement, we have the following suggestions for your consideration:

1. GASB No. 40, Deposit and Investment Risk Disclosures

This pronouncement requires expanded disclosures in the District's footnotes to the financial statements related to the risks associated with the District's investments, and the District's policies for addressing those risks.

GASB 40 separates the risk disclosures into five areas: (1) custodial risk, (2) interest rate risk, (3) credit risk, (4) concentration risk, and (5) foreign currency risk. In addition, the disclosure requirements of GASB 40 require the District to track rating and maturity information for investments.

We encourage the District to update the investment policy to ensure all required information for disclosure adheres to the investment policy and the required information can be obtained for any investments in the District's portfolio.

2. Cash Handling Policies and Procedures

Creating and using effective cash handling processes in the school buildings is a challenge for all school districts. An appropriate level of segregation of duties needs to be communicated and maintained to effectively manage cash at all buildings. We encourage the School District to review its processes to ensure ease of use, understandability by staff and the use of effective checks and balances when handling, accounting for, and transmitting cash.

We commend the District for currently researching ways to collect cash receipts through an electronic web-based process, which should be implemented for the second semester of the 2009-2010 school year.

3. Bank Reconciliations

A critical process related to internal controls over cash is the timely preparation and review of bank reconciliations. The District does have procedures in place related to bank reconciliations but, upon our testing of these control procedures, we noted a lack of audit evidence that these procedures were being followed. We recommend current procedures be followed and additional procedures be implemented whereby the preparer and reviewer of the bank reconciliation initial and date the reconciliation upon preparation and review. This "sign-off" serves as audit evidence that the District's procedures are being adhered to.

Redford Union School District #1

Other Recommendations

4. Journal entries

Upon testing journal entries, we noted a lack of review and approval of manual journal entries. We recommend the District implement procedures whereby manual journal entries are reviewed and approved. In addition, the reviewer and approver should initial and date the manual journal entry documentation to provide the audit evidence that procedures are being followed.

5. Omission of Accounts

As noted in prior years, there are still bank accounts not currently recorded on the District's accounting system. The bank accounts related to flexible spending were recorded on the District's book during the audit process in the current year; however there is no evidence of a reconciliation process being performed, which is highly recommended.

The bank accounts related to student activity accounts continue not to be recorded on the books. While these are not District funds, the District is acting in a fiduciary capacity and should add these accounts and the related liabilities as separate accounts in its general ledger.

Additionally, the District should consider taking control over these accounts to ensure funds are used appropriately since the bank accounts are under the District's name and/or employee identification number.

6. Information Technology (IT) Controls

As a result of the new audit standards which were in effect for the 2007-2008 fiscal year, we performed a more detailed and comprehensive review of the District's technology controls and procedures. During this review, we noted certain areas which could be enhanced to meet industry best practices:

- a. **New User Access** – During our review, we noted the District does not have a formal process to notify IT of new users, their start date, and their required access rights. Currently, notification of a new user is occurring informally (email, verbal or by delivery of a signed Acceptable Use Policy) by the supervisor contacting IT, however, nothing is formally documented. A formal process (paper or electronic) should be implemented to document a new user's access request, approvals for the request, and the completion date of the request performed by IT. This information should be retained within the IT or HR departments.
- b. **Access Termination** – During our review, we noted the District does not have a formal process to immediately notify IT of terminated employees. Notification of a terminated employee is occurring informally (email or verbal) by the supervisor or HR contacting IT with no formal documentation. A formal process (paper or electronic) should be implemented to document the date and time of employee terminations and all access rights removed by the IT department. The form should be retained by the IT or HR department.

Redford Union School District #1

Other Recommendations

- c. **Access Changes** – During our review, we noted that no formal process to immediately notify the IT department of users that need changes to their level of access to applications. The notification of change is occurring informally (email or verbal) by the supervisor contacting the IT department, however, nothing is formally documented. We recommend a formal process (paper or electronic) be implemented to document and file within IT or HR department to indicate the access change request, approval and date the work was completed by the IT department.
- d. **User Access Review** – Supervisors should review and document their review of user access supporting documentation at least annually to ensure employees have on the required rights need to perform their jobs. Exceptions should be documented and the IT department should perform any necessary changes. These reviews should be retained by the IT or HR department.
- e. **Authentication Controls** – We recommend a password length of at least seven characters and a maximum password expiration of 90 days. In addition, there should be a maximum unsuccessful log-in attempt limit of three, with a 15 to 30 minute time-out after three unsuccessful log-in attempts to the network. An inactivity timer should also be enabled to lock out workstations that are inactive for longer than 30 minutes.
- f. **Information Security Program** – During our review, we noted the School District does not require end-users or third parties with network access to the district's data to sign an acceptable use/information security policy. We recommend the District implement a process to ensure users are signing an information security policy which will be filed with the IT or HR department.
- g. **Backup Procedures** – The School District data is currently backed-up but is not stored off-site. We recommend recent back-up tapes be stored at an off-site location at least five miles away.
- h. **Physical Security** – The School District servers are located in locked rooms except those in the Board Office. We recommend maintaining all critical servers in a locked, controlled environment.
- i. **Environmental Controls** – The School District uses UPS back-up power; however no generator exists to survive more than a short term outage. We recommend smoke detectors and fire suppression be implemented in critical computer rooms/data centers. Servers should be positioned off the floor (3' A.F.F.) to avoid any potential water damage. Additionally, proper environmental (temperature/humidity) conditions should be maintained via proper air conditioning of the computer room/data center.

Informational

Funding, Budgeting, and Fund Equity

For the current fiscal year, districts were required to adopt their initial budget prior to July 1, 2008. At the time of initial adoption, there were significant variables that were unknown. In addition to the 2008-2009 blended student count, which is always unknown, the governor and legislature continued to work through the State's budget issues going into July 2008. Once again, schools were asked to establish budgets without knowing the level of funding to be provided by the State. As you are aware, a compromise was reached resulting in a \$112 or 1.6 percent foundation allowance increase per pupil for Redford Union School District, which is still far below an increase that would be necessary to catch up to inflation for all the years of zero to little increases and prorations. The status of Michigan's economy will be a key determinant in the State's ability to fund its plan for this year. If the State is not able to sustain its funding plan, state law requires that the budget be balanced using either legislative action or proration. Clearly, history shows that school aid is not easy to predict. Add to the funding challenges the uncertainty of utility and fuel costs as well as healthcare costs, and you begin to see that the initial state budget is really tentative.

Retirement Rate

Legislation restructured the elements *computing* the MPERS retirement rate creating a lower cost to the retirement system. The rate was 17.74 percent of compensation through September 30, 2007 and 16.72 percent beginning October 1, 2007. The rate for the fiscal year beginning October 1, 2008 will be 16.54 percent.

While the reductions in the retirement rate are a much needed relief from increasing expenditures, extreme caution should be used when making budget predictions for the 2009-2010 fiscal year. All indications are the retirement rate will need to increase in future periods to fund the benefits offered under the retirement plan, especially given the recent financial market events that impact the value of the retirement system's assets.

Legal Sanctions Regarding Competitive Bidding

The Michigan School Code Section 1815 provides significant legal penalties to public officials for violation of competitive bidding requirements. Under Code Section 1815, an individual who knowingly or intentionally violates state competitive bidding requirements may be charged with a misdemeanor with a fine up to ten percent of the project and/or up to one year imprisonment. This sanction was enacted in response to perceived abuses under previously existing law. We encourage you to ensure all public officials and employees of the District are aware of the bidding requirements and the stringent penalties for any disregard of the statutes.

Michigan Business Tax Changes Impacting Public Schools

The State of Michigan has recently replaced the Michigan Single Business Tax with the new Michigan Business Tax (MBT) which will impact K-12 funding. There are two provisions of the new MBT impacting K-12 funding:

1. The MBT expands the existing community foundation credit to include educational foundations. If your educational foundation meets certain specified criteria, business donors can receive an MBT credit equal to 50 percent of their contribution, limited to 5 percent of the donor's tax liability or \$5,000. This provision will provide tax incentives to businesses to support educational foundations and, as a result, could lead to enhanced funding to the School District.
2. The MBT provides for personal property tax relief to businesses. Business will receive a 24 mill reduction on industrial personal property, and a 12 mill reduction on commercial personal property. Most Districts will experience a substantial reduction in personal property tax receipts. To offset this reduction, the MBT requires the State to make specific payments to the school aid fund. It remains uncertain exactly how these funding changes will impact individual Districts, and the resulting cash flow may be delayed as the payments migrate to the 11 monthly state aid payments. We encourage you to closely monitor these changes and adjust your budgeting and cash flow plans accordingly.

403(b) Annuity Plans

The IRS has finalized regulations that will require schools to take more responsibility in the operation and compliance of their 403(b) arrangements, including operating the plans under a written document. The regulations have a delayed effective date of January 1, 2009. Many districts have been carefully balancing the degree of involvement vs. delegation as they implement a compliance strategy. It will be important to establish a district plan document and implement vendor agreements that establish the responsibilities of the district and the vendor to eliminate confusion and provide a compliance road map. It is our understanding that the District is in the process of making necessary compliance required changes.